

Executive Summary

FY 2008 President's Budget by Function

(Dollars in Thousands)

Appropriation	FY 2006	FY 2007		FY 2008		
	Enacted	President's Budget	CR-rate	President's Budget	\$ Change over CR-rate	% Change over CR-rate
Management & Financial	\$597,759	\$601,946	\$565,975	\$635,770	\$69,795	12.3%
Departmental Offices Salaries and Expenses	194,626	223,874	192,171	250,141	57,970	30.2%*
Treas Building & Annex Repair & Restoration	9,900	0	0	0	0	0.0%
Dept-wide Systems & Capital Invest. Program	24,168	34,032	24,046	18,710	(5,336)	(22.2%)
Air Transportation Stabilization Program**	2,723	0	0	0	0	0.0%
Office of Inspector General	16,830	17,352	17,022	18,450	1,428	8.4%
Treasury IG for Tax Administration	131,953	136,469	131,953	140,553	8,600	6.5%
Community Development Financial Institutions Fund	54,450	40,000	40,000	28,557	(11,443)	(28.6%)
Financial Crimes Enforcement Network	72,894	89,794	70,568	85,844	15,276	21.6%
Alcohol & Tobacco Tax and Trade Bureau	90,215	92,604	90,215	93,515	3,300	3.7%
Fiscal Service Operations	\$412,035	\$414,443	\$411,908	\$418,062	\$6,154	1.5%
Financial Management Service	233,881	233,654	233,292	235,191	1,899	0.8%
Bureau of the Public Debt***	178,154	180,789	178,616	182,871	4,255	2.4%
Tax Administration	\$10,573,706	\$10,591,837	\$10,438,364	\$11,095,499	\$657,135	6.3%
IRS Taxpayer Services	2,142,042	2,079,151	2,059,151	2,103,089	43,938	2.1%
IRS Enforcement	4,708,441	4,797,126	4,708,405	4,925,498	217,093	4.6%
IRS Operations Support	3,461,205	3,488,404	3,459,152	3,769,587	310,435	9.0%
IRS Business Systems Modernization	242,010	212,310	196,810	282,090	85,280	43.3%
IRS Health Insurance Tax Credit Administration	20,008	14,846	14,846	15,235	389	2.6%
Total, Treasury Appropriations Committee	\$11,583,500	\$11,608,226	\$11,416,247	\$12,149,331	\$733,084	6.4%
Treasury International Programs	\$1,374,385	\$1,535,467	\$1,109,898	\$1,731,050	\$621,152	56.0%
International Financial Institutions	1,277,235	1,328,968	1,066,198	1,498,950	432,752	40.6%
Technical Assistance	32,800	23,700	23,700	24,800	1,100	4.6%
Debt Restructuring	64,350	182,799	20,000	207,300	187,300	936.5%
Total	\$12,957,885	\$13,143,693	\$12,526,145	\$13,880,381	\$1,354,236	10.8%

* FY 2008 request is a 11.7 percent increase over the FY 2007 President's Budget.

** The FY 2008 budget proposes cancellation of the remaining balances from ATSB, currently estimated at \$3.6M

*** Does not include estimated user fee offset

Overview

The U.S. Department of Treasury's budget priorities reflect the Department's dedication to promoting economic growth and opportunity, strengthening national security and exercising fiscal discipline while steadily improving the Department's operations to ensure it remains a world-class organization.

The FY 2008 President's Budget identifies the resources required to support Treasury's role as the steward of U.S. economic and financial systems, and as an influential participant in the international economy. The FY 2008 Budget emphasizes initiatives that directly support its five strategic goals:

- Promote Prosperous U.S. and World Economies
- Promote Stable U.S. and World Economies
- Preserve the Integrity of Financial Systems
- Manage the U.S. Government's Finances Effectively

- Ensure Professionalism, Excellence, Integrity, and Accountability in the Management and Conduct of the Department of the Treasury

While promoting financial and economic growth at home and abroad, Treasury performs a critical and far-reaching role in national security. The Department battles national security threats by coordinating financial intelligence, targeting and sanctioning supporters of terrorism and proliferators of weapons of mass destruction (WMD), improving the safeguards of our financial systems, and promoting international relationships to combat the financial underpinnings of terrorist and other criminal networks.

Managing these complex tasks requires expanded capabilities in Treasury's Departmental Offices, which, in addition to providing policy direction, management oversight, and administrative support for Treasury's 13 bureaus, makes direct and unique contributions to national security through the Office of Terrorism and Financial Intelligence and the Office of International Affairs. Adequate funding for this leadership role is critical to Treasury's ability to protect

FY 2008 President's Budget by Strategic Goal

(Dollars in Thousands)

Treasury Goal/Objective	Promote Prosperous US/World Economies (E1)		Promote Stable US/World Economies (E2)		Preserve the Integrity of Financial Systems (F3)		Manage US Gov Finances Effectively (F4)		Management Excellence & Accountability (M5)		Total
	Direct \$	Reimb. \$	Direct \$	Reimb. \$	Direct \$	Reimb. \$	Direct \$	Reimb. \$	Direct \$	Reimb. \$	
Management & Financial	\$91,235	\$3,172	\$79,020	\$4,001	\$178,344	\$6,655	\$70,674	\$3,857	\$216,497	\$7,856	\$635,770
Departmental Offices Salaries and Expenses											\$25,541
Dept-wide Systems & Capital Invest. Program	62,678	3,172	33,198	3,168	92,500	5,114	22,981	2,990	38,784	5,356	\$19,800
Office of Inspector General									18,710		0
Treasury IG for Tax Administration	28,557								18,450	1,300	1,300
Community Development Financial Institutions Fund									140,553	1,200	1,200
Financial Crimes Enforcement Network											0
Alcohol & Tobacco Tax and Trade Bureau					85,844	1,541					1,541
Fiscal Service Operations	\$0	\$0	45,822	833	\$0	\$0	47,693	867	\$0	\$0	85,844
							\$418,062	\$230,911			93,515
Financial Management Service							235,191	215,179			215,179
Bureau of the Public Debt							182,871	15,732			15,732
Tax Administration	\$0	\$0	\$0	\$0	\$267,970	\$13,012	\$10,827,529	\$120,486	\$0	\$0	\$11,095,499
											\$133,498
IRS Taxpayer Service							2,103,089	27,414			2,103,089
IRS Enforcement					205,126	13,012	4,720,372	36,341			4,925,498
IRS Operations Support					62,844		3,706,743	56,731			3,769,587
Business Systems Modernization							282,090				282,090
Health Insurance Tax Credit Administration							15,235				15,235
Total, Treasury Appropriations Committee	\$91,235	\$3,172	\$79,020	\$4,001	\$446,314	\$19,667	\$11,316,265	\$355,254	\$216,497	\$7,856	\$12,149,331
Treasury International Programs	1,731,050										1,731,050
											0
Total, Appropriated Level	\$1,822,285	\$3,172	\$79,020	\$4,001	\$446,314	\$19,667	\$11,316,265	\$355,254	\$216,497	\$7,856	\$13,880,381
Non Appropriated Bureaus	\$0	\$132,031	\$0	\$0	\$0	\$3,313,117	\$0	\$0	\$0	\$797,312	\$4,242,460
Treasury Franchise Fund											0
Bureau of Engraving and Printing						602,000					602,000
U.S. Mint						1,899,035					1,899,035
Office of the Comptroller of the Currency						597,600					597,600
Office of Thrift Supervision						214,482					214,482
Subtotal, Direct \$	\$1,822,285		\$79,020	\$4,001	\$446,314	\$3,332,784	\$11,316,265	\$355,254	\$216,497	\$805,168	\$13,880,381
Subtotal, Reimbursable \$	\$135,203										\$135,203
Total, Treasury Level	\$1,957,488		\$79,020	\$4,001	\$446,314	\$3,332,784	\$11,316,265	\$355,254	\$216,497	\$805,168	\$14,015,584
											\$18,512,791

the American people. This Budget request reflects the adjustments and funding increases required to meet Treasury's mission in this area.

FY 2008 Budget Request

The President's FY 2008 Budget request of \$12.1 billion for the Department of the Treasury focuses resources on key programs necessary to promote economic growth and effectively fight the war on terror. The request is \$736 million above the FY 2007 Continuing Resolution rate (CR-rate), a 6.4 percent increase. The FY 2008 Budget increase reflects Treasury's ability to bring a demonstrable return on investment that no other federal agency can provide. By collecting the revenue due to the federal government and working to reduce illicit threats to the financial system, Treasury solidifies the financial integrity of the United States. While the majority of the Department's Budget is funded through the Department of the Treasury Appropriations Act, \$1.5 billion for the Department's international programs is funded through the State, Foreign Operations, and Related Programs Appropriations Act.

Promoting Economic Growth, Security and Opportunity

The Secretary of the Treasury is the President's leading policy advisor on a broad range of domestic and international economic issues. Treasury's Departmental Offices, including the Offices of International Affairs, Tax Policy, Economic Policy, and Domestic Finance, support the Secretary in this role through the provision of technical analysis, economic forecasting, and policy guidance on issues ranging from federal financing to responding to international financial crises. The Department supports policies that stimulate U.S. economic growth, strengthen and modernize entitlement programs, and minimize regulatory burdens while ensuring the safety and soundness of financial institutions.

The FY 2008 Budget request funds Treasury's efforts to promote domestic and international economic growth through financial diplomacy. Treasury stimulates economic growth and job creation by working to open trade and investment, encouraging growth in developing countries, and promoting responsible policies regarding international debt, finance, and

economics. Treasury supports trade liberalization and budget discipline through its role in negotiating and implementing international agreements pertaining to export subsidies. These agreements open markets, level the playing field for U.S. exporters, and provide effective subsidy reductions that save the U.S. taxpayer millions annually. Since 1991, cumulative budget savings from these arrangements are estimated at over \$10 billion. The growth of these activities makes it necessary to enhance policy coordination and resources through the addition of regional experts. This initiative is for additional staff to support key policy dialogues across the globe.

Treasury also remains committed to protecting the homeland from international investments that may threaten our national security. The Committee on Foreign Investment in the United States (CFIUS) is responsible for investigating the merger or acquisition of U.S. companies by foreign persons for national security, and Treasury's Office of International Affairs manages this function on the Secretary's behalf. The growth and economic importance of foreign investment in the United States has increased exponentially the number of cases reviewed by CFIUS. The President's FY 2008 Budget request provides additional resources to support Treasury in its role as Chair of CFIUS, including administering the interagency CFIUS process.

The FY 2008 request also includes \$28.6 million for the Community Development Financial Institutions Fund (CDFI), \$11.4 million below the FY 2007 CR-rate. CDFI's mission is to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the United States. The Budget does not request funding for the Bank Enterprise Award.

The FY 2008 President's Budget request for Treasury's International Assistance Programs supports key objectives of the President's agenda, such as the G-8 Multilateral Debt Relief Initiative, measuring results, improving debt sustainability, increasing grants, improving transparency and fighting corruption.

Strengthening National Security

The sponsorship of terrorism and potential acquisition of weapons of mass destruction (WMD) by rogue regimes and non-state entities represents a grave threat to U.S. national security and the security of all free and open societies.

Terrorists, WMD proliferators and other non-state threats require vast support networks through which money and material flow. The Treasury Department draws on financial and other all-source intelligence and utilizes its unique regulatory and law enforcement authorities to combat national security threats and safeguard the financial system.

The Office of Terrorism and Financial Intelligence (TFI) provides financial intelligence analysis; develops and implements systems to combat money laundering and terrorist financing; administers the Bank Secrecy Act; and administers and enforces the U.S. Government's economic sanctions programs.

Treasury exercises a full range of intelligence, regulatory, policy, and enforcement tools in tracking and disrupting terrorists' support networks, proliferators of weapons of mass destruction, rogue regimes, and international narco-traffickers, both as a vital source of intelligence and as a means of degrading the terrorists' ability to function. Treasury's actions include:

- Freezing the assets of terrorists, proliferators, drug kingpins, and other criminals; and shutting down the channels through which they raise and move money.
- Cutting off corrupt foreign jurisdictions and financial institutions from the U.S. financial system.
- Developing and enforcing regulations to reduce terrorist financing and money laundering.
- Tracing and repatriating assets looted by corrupt foreign officials.
- Promoting a meaningful exchange of information with the private financial sector to help detect and address threats to the financial system.

The FY 2008 President's Budget will enable Treasury to enhance these capabilities. The President's Budget requests funding for investments to further the Department's national security mission in three critical areas: expanding the Department's capacity to identify potential national security threats and to enforce U.S. policies to counter those threats; enhancing the information technology and physical infrastructure of TFI and its component bureaus and offices to improve data security, access, and quality; and further integrating TFI into the broader Intelligence Community. This request includes:

- \$5.3 million to respond to emerging national security threats, provide strategic policy coordination in regions key to the fight against terrorist financing, and to enhance implementation of sanctions against state sponsors of terrorism and WMD proliferation.
- \$12.6 million for infrastructure and information technology projects to enhance data access, security, and quality, including construction of a Sensitive, Compartmented Information Facility (SCIF) and investments to stabilize and enhance the Department's classified information systems.
- \$1 million for initiatives to further Treasury's integration into the broader Intelligence Community.

The Financial Crimes Enforcement Network (FinCEN), a bureau within Treasury's Office of Terrorism and Financial Intelligence, is responsible for administering the Bank Secrecy Act (BSA). The FY 2008 Budget request provides funding to upgrade BSA E-Filing; strengthen recovery capability for mission-critical information technology systems and emergency operation capabilities; and improve information technology planning and oversight.

Managing U.S. Government Finances

The Treasury Department manages the nation's finances by collecting money due the United States, making its payments, managing its borrowing, investing when appropriate, and performing central accounting functions. Key priorities in managing the government's finances effectively include maximizing voluntary compliance with tax laws and regulations,

continually improving financial management processes, and financing the government at the lowest possible cost over time. The FY 2008 Budget request provides the funding necessary to properly administer these functions.

Collecting the Taxes

Collecting taxes in a fair and consistent manner is a core mission of the Treasury Department. Treasury's priorities in tax administration are enforcing the nation's tax laws fairly and efficiently while balancing service and education to promote voluntary compliance and reduce taxpayer burden. In September 2006, Treasury published a comprehensive plan to improve tax compliance. The FY 2008 Budget funds implementation of this plan with new investments in enforcement, taxpayer service and technology. It includes \$11,095 million for the IRS, which is an increase of \$657 million (6.3 percent) above the FY 2007 CR-rate. As in FY 2006 and FY 2007, the Administration proposes to fund the portion of the IRS budget increase attributable to improved tax enforcement (\$440 million above the CR-rate) through a program integrity cap adjustment to help increase revenue. Highlights include:

- \$291 million for new enforcement initiatives and \$149 million for inflationary cost increases. This is a \$440 million increase above the FY 2007 CR-rate. The IRS Enforcement Program is funded in the Enforcement and Operations Support appropriations. IRS will enhance coverage of high-risk compliance areas, as well as address the tax gap associated with small business and self-employed taxpayers. Enforcement will focus on critical reporting, filing, and payment compliance programs, and highlight abusive tax avoidance transactions and high income individual examinations involving pass-through entities (e.g. partnerships, trusts). The IRS will continue to reengineer its examination and collection procedures to reduce time, increase yield, and expand coverage. It will expand compliance research to help target its programs more effectively.
- \$56 million for new taxpayer service initiatives and \$75 million for inflationary costs. This is a \$131 million increase above the FY 2007

CR-rate. The IRS Taxpayer Service Program is funded in the Service and Operations Support appropriations. The IRS will continue efforts to increase and improve services offered to taxpayers through efforts such as adding an estimated wait time message for taxpayers on hold for telephone service. The IRS will also increase self-service applications, continue to ensure web navigation is user-friendly, and improve the quality and accuracy of its telephone responses. The IRS will expand its research and evaluate information regarding taxpayer service needs, priorities, and preferences in order to improve delivery services.

- \$60 million for critical IT infrastructure upgrades (included in the enforcement and taxpayer service totals above). IRS will continue to invest in technology, process improvements, and training to achieve consistent quality service with reduced costs.
- \$282 million for the IRS' Business Systems Modernization program to give IRS employees the tools they need to continue to administer and improve both service and enforcement programs.

Treasury also regulates the manufacture and sale of alcohol, tobacco, firearms, and ammunition, and collects excise taxes on the sale of these products. The Alcohol and Tobacco Tax and Trade Bureau collected \$14.8 billion in excise taxes, interest, and other revenues.

Ensuring Efficient Fiscal Service Operations

The FY 2008 Budget request provides the funds necessary for Treasury to meet its responsibilities as the federal government's financial manager.

Treasury's management of the federal government's finances includes making payments, collecting revenue, and preparing public financial statements through the Financial Management Service. Treasury oversees a daily cash flow in excess of \$50 billion and disburses 85 percent of all federal payments. The Department is working to improve its payments and collections processes by moving toward an all-electronic Treasury. In FY 2006, Treasury issued 742 million electronic payments including income tax refunds, Social Security benefits, and veterans' benefits. Treasury is also encouraging Social Security

and Supplemental Security Income recipients to switch to direct deposit through the Go Direct campaign. Direct Deposit represents a cost savings to the taxpayer of 75 cents per transaction.

Treasury manages more than \$7.9 trillion of public debt through its Bureau of Public Debt. Public debt includes marketable securities, savings bonds, and other instruments held by state and local governments, federal agencies, foreign governments, corporations, and individuals. To improve debt management and offer better customer service, Treasury offers Treasury Direct, an electronic, web-based system that electronically issues securities to retail customers and enables investors to manage their accounts on-line.

Managing Treasury Effectively

Treasury is committed to using the resources provided by taxpayers in the most efficient manner possible. The Department will drive improved results through decision-making that considers performance and cost. The Treasury Department strives to serve its stakeholders in the most effective way while working to leverage resources across the Department and across the government.

Funding requested in Treasury's Departmental Offices and Department-wide Systems and Capital Investments Program (DSCIP) seeks to build an efficient information technology infrastructure, ensuring that Treasury remains a world-class organization that meets the President's standard of a citizen-centered, results-oriented government.

The DSCIP account funds technology investments to modernize business processes throughout Treasury, helping the Department improve efficiency. The President's 2008 Budget requests \$18.71 million for ongoing modernization and critical information technology infrastructure projects, and to invest in other new technologies that will improve efficiency and service to the American people. The Budget request includes:

- \$6 million implement a pilot Enterprise Content Management (ECM) system, which will address the critical and urgent business need of the Office of Foreign Asset Control (OFAC) and the Financial Crimes Enforcement Network. The pilot ECM

system will align with government-wide initiatives, promote common standards across the Treasury Department, and position the Treasury for a Department-wide ECM system.

- \$2 million for the continued operation and maintenance of the Treasury Secure Data Network.
- \$4 million to improve Treasury's FISMA performance and strengthen the Department's overall security posture; and completing required milestones as part of Treasury's Presidential E-Government Implementation Plan.

The Budget request also includes funding for Treasury's Inspectors General. The Office of the Inspector General and the Treasury Inspector General for Tax Administration play an important oversight role in the overall management of the Department and the fair administration of the nation's tax laws.

Strengthening Financial Institutions




























One of the principal objectives of the Treasury Department is to enable commerce. The Department is responsible for the safety and soundness of national banks and federally-chartered savings associations. The Treasury Department also produces the coins and currency needed for commerce, and guards against counterfeiting and other misuse of our money.

Treasury, through the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS), maintains the integrity of the financial system of the United States by chartering, regulating, and supervising national banks and savings associations. In FY 2006, OCC and OTS oversaw financial assets held by these financial institutions totaling \$8.1 trillion.

The U.S. Mint (Mint) and the Bureau of Engraving and Printing (BEP) are responsible for producing the nation's coins and currency. In FY 2006, the Mint and BEP produced 16.1 billion coins and 8.2 billion paper currency notes, respectively. The Mint issued five new quarters from the 50 State Quarters program and BEP introduced the new \$10 currency note into circulation. Also, due to recently improved operating results and profits, the Mint returned \$750 million to the Treasury General Fund in FY 2006.

Funding for the OCC, OTS, Mint, and BEP is not included in the Department's annual budget requests, because they have non-appropriated funding sources. OCC's operations are funded primarily by semi-annual assessments levied on national banks. Revenue from licensing, other fees, and investments in U.S. Treasury securities provides the remaining revenue. OTS's operations are funded from assessments on thrifts and savings and loan holding companies; examination, application, and security filing fees; interest on investments in U.S. government obligations; and rent and other sources. The Mint's operations are financed by proceeds from the sales of circulating coins to the Federal Reserve Bank System and numismatic items to the public. BEP operations are financed primarily by the printing of currency for the Federal Reserve Bank System. Other BEP revenues are derived from the printing of securities for the Public Debt and commissions, certificates, invitations for various Government agencies; and space rental fees.

President's Management Agenda

Initiative	Status		Q1 FY 2007	
	FY 2005	FY 2006	Status	Progress
Human Capital	 Y	 G	 G	 G
Competitive Sourcing	 G	 G	 G	 Y
Financial Performance	 R	 R	 R	 G
E-Government	 R	 Y	 Y	 R
Budget-Performance Integration	 Y	 Y	 Y	 G
Improper Payments	 R	 R	 R	 Y
 Green for Success  Yellow for Mixed Results  Red for Unsatisfactory				

President's Management Agenda (PMA)

The Department of the Treasury works to manage the Department effectively through the principles of the President's Management Agenda (PMA). The Department of the Treasury is responsible

for six initiatives identified by the PMA, five standard initiatives that are government-wide and one (Improper Payments) that is specific to the Department.

The President holds each agency accountable for its performance in carrying out the PMA, and performance results are demonstrated through quarterly scorecards issued by OMB.

Human Capital: In FY 2006, the Treasury Department's Human Capital initiative was successful by continuing to align its workforce with its human capital goals and objectives. Consistent with its human capital vision, the Department used strategic workforce planning and flexible tools to recruit, retain, and reward employees, fostering a diverse and high-performing workforce.

In FY 2006, the Department's human capital activities focused on results-oriented performance, leadership succession planning, and accountability. The Office of Personnel Management approved the Treasury Department's program for succession planning and accountability, a condition for remaining successful in the PMA Human Capital initiative. This program ensures that future management acquires appropriate skills to enable them to lead the Department in an ever-changing environment.

FY 2006 human capital successes included:

- Achieving a goal of 100 percent of supervisors', managers', and executives' performance plans that contain elements directly linked to the Department's mission;
- Training over 1,300 current and future managers in leadership competencies; and
- Strengthening the accountability system through Department-wide policy which emphasizes compliance with federal laws and regulations, and merit system principles.

Competitive Sourcing: Through Competitive Sourcing, the Treasury Department utilizes public-private competition to effectively deliver services at the lowest possible cost to the American taxpayer. Competitive Sourcing allows the Department to look internally and externally for the most efficient ways to achieve its mission.

In FY 2006, the Department of the Treasury remained successful in the Competitive Sourcing initiative by:

- Migrating and conducting the Federal Activities Inventory Reform (FAIR) Act in HR Connect, the Department's on-line human capital system;
- Proposing a plan to include all Treasury efforts (Lines of Business, Strategic Sourcing, etc.) to close competitiveness gaps;
- Improving its demand analysis system for conducting potential studies; and
- Stressing coordination of competitive sourcing activities Department-wide.

Improved Financial Performance: The Treasury Department continued to work toward full compliance with the Federal Managers Financial Improvement Act (FMFIA) and improved financial management processes to produce accurate and timely information that supports operating, budget, and policy decisions.

In FY 2006, the Department of the Treasury accounted for public funds accurately and in a timely manner through a successful three day closing process at the end of each month. The Department's Financial Performance team met its reporting deadlines and was provided a clean annual audit. Treasury will continue to make progress in implementing Custodial Detail Database revenue accounting system enhancements.

In addition, the Treasury Department continued emphasis on reducing material weaknesses during the year resulting in a reduction from seven to six material weaknesses.

Expanded E-government: Expanding electronic government products and services Department-wide improves internal efficiency and effectiveness, and enhances service to the public. In FY 2006, the Treasury Department continued to improve its enterprise architecture, information technology (IT) capital planning processes, and cyber security practices Department-wide. The Department worked to manage projects to meet cost, schedule, and performance goals; to certify and accredit Treasury

systems to protect information from unauthorized access and theft; and fully participated in Presidential E-Government Initiatives.

During FY 2006, accomplishments included:

- Improving Treasury-wide Capital Planning and Investment Control policies and processes, including executive certification of quarterly project performance reporting and
- Applying standard definitions for systems under the Federal Information Security Management Act (FISMA) and establishing a new system inventory to improve future management and reporting;
- Integrating Treasury Enterprise Architecture (EA) and IT Capital Planning processes.

Budget and Performance Integration: In FY 2006, the Treasury Department embarked on revising its Strategic Plan. This plan clearly defines the strategic priorities and articulates outcome-oriented goals and objectives. The Department's senior leadership sponsored the effort and served as champions for the teams developing outcomes, strategies, and measures. Treasury will continue to develop the Budget Formulation and Execution Module (BFEM) to produce the Congressional Justification and Budget in Brief.

The Treasury Department tested its mission, goals, and strategies against a set of future possibilities to ensure their robustness. The Department identified ten value chains (groups of programs with a common purpose), recognizing that outcomes connect the Treasury Department's programs across different programs and organizations. The new Treasury Strategic Plan will add a vision statement and a set of core values, both of which serve to integrate and draw the Department toward a compelling picture of its future. Finally, the Strategic Plan will establish an integrated management system that links budget and cost to outcomes, enabling the Department to measure the value it produces for the American people.

Eliminating Improper Payments: The Department continuously works with the Office of Management and Budget (OMB) to develop improved error measurement methodology for the Internal Revenue

Service (IRS) Earned Income Tax Credit (EITC) program. EITC, due to erroneous payments, is the only program in the Treasury Department considered a high risk for fraud, waste and abuse. Treasury has committed to providing a corrective action plan to OMB, which includes aggressive reduction targets for EITC's erroneous payments that will produce effective results.

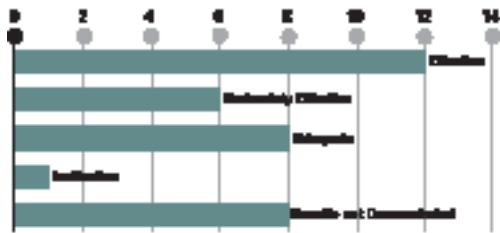
Program Rating and Assessment Tool (PART) Summary

Program evaluation is a core management tool used by Treasury to allocate resources and promote efficiency and effectiveness. In addition to regular independent program evaluations conducted by Treasury bureaus, Treasury also works with OMB to evaluate 20 percent

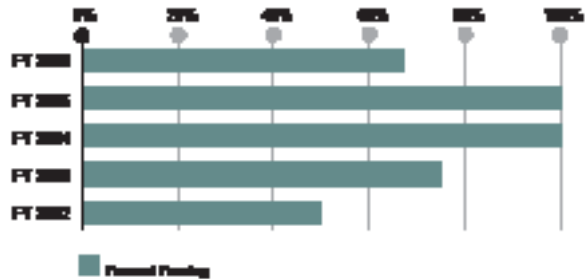
of its programs each year through the PART process. All programs that undergo a PART evaluation receive weighted scores in four categories: program purpose and design, strategic planning, program management, and program results and accountability.

The PART process gives the Treasury Department a framework for assessing performance in its major programs. Through the use of in-depth performance questions, the PART allows leadership to evaluate how well a program is meeting its intended objectives, how effectively and efficiently it is managed, the extent to which the program supports the Department's overarching strategic goals and how well the program achieves results.

PART Scoring History



Percentage Treasury Programs Passing PART Evaluations (adequate or better score)



Programs Evaluated for the FY 2007 Budget Cycle

Program	Bureau	Rating
FinCen BSA Collection & Dissemination	FinCen	Moderately Effective
FMS Payments	FMS	Effective
IRS Exam	IRS	Moderately Effective
IRS Criminal Investigations	IRS	Moderately Effective
Submission Processing - Re-do	IRS	Moderately Effective
Mint Protection	Mint	Effective
TTB Collect the Revenue	TTB	Effective

Programs Evaluated for the FY 2008 Budget Cycle

Program	Bureau	Rating
Protection	BEP	Effective
BSA Administration	FinCen	Results Not Demonstrated
BSA Analysis	FinCen	Adequate
Government Wide Accounting	FMS	Moderately Effective
HITCA	IRS	Results Not Demonstrated
IRS Retirement Savings Regulatory	IRS	Adequate

Fiscal Year Comparison of Full-Time Equivalent (FTE) Staffing

(Direct and Reimbursable)

Appropriation	FY 2006 Actual			FY 2007 Estimated			FY 2008 President's Budget		
	Direct	Reimb.	Total	Direct	Reimb.	Total	Direct	Reimb.	Total
Departmental Offices Salaries and Expenses	900	97	997	1,058	90	1,148	1,136	90	1,226
98145.452	3	0	3	0	0	0	0	0	0
Air Transportation Stabilization Program	2	0	2	0	0	0	0	0	0
Office of Inspector General	116	4	120	115	2	117	115	0	115
Treasury IG for Tax Administration	835	3	838	817	3	820	835	3	838
Community Development Financial Institutions Fund	48	0	48	63	0	63	63	0	63
Financial Crimes Enforcement Network	296	1	297	334	1	335	356	1	357
Alcohol & Tobacco Tax and Trade Bureau	524	10	534	544	15	559	544	15	559
Financial Management Service	1,604	373	1,977	1,761	370	2,131	1,692	428	2,120
Bureau of the Public Debt	1,299	69	1,368	1,390	18	1,408	1,390	21	1,411
Internal Revenue Service	91,717	1,129	92,846	91,722	682	92,404	92,118	696	92,814
Subtotal, Treasury Appropriated Level	97,344	1,686	99,030	97,804	1,181	98,985	98,249	1,254	99,503
Working Capital Fund	0	200	200	0	233	233	0	233	233
Treasury Franchise Fund	0	645	645	0	827	827	0	909	909
Bureau of Engraving and Printing	0	2,190	2,190	0	2,300	2,300	0	2,250	2,250
U.S. Mint	0	1,927	1,927	0	1,975	1,975	0	1,975	1,975
Office of the Comptroller of the Currency	0	2,812	2,812	0	2,977	2,977	0	3,041	3,041
Office of Thrift Supervision	0	918	918	0	1,046	1,046	0	1,046	1,046
Terrorism Insurance Program	10	0	10	10	0	10	8	0	8
Sallie Mae Assessments	2	0	2	0	0	0	0	0	0
Total	97,356	10,378	107,734	97,814	10,539	108,353	98,257	10,708	108,965

Summary of FY 2008 Increases and Decreases

(Dollars in Thousands)

Appropriations	DO	DSCIP	OIG	TIGTA	CDFI	FINCEN	TTB	FMS	BPD	IRS	Total
FY 2007 President's Budget	\$223,874	\$34,032	\$17,352	\$136,469	\$7,821	\$89,794	\$92,604	\$233,654	\$180,789	\$10,591,837	\$11,608,226
CR-rate Adjustment	(31,703)	(9,986)	(330)	(4,516)	32,179	(19,226)	(2,389)	(362)	(2,173)	(153,473)	(191,979)
FY 2007 CR-rate	\$192,171	\$24,046	\$17,022	\$131,953	\$40,000	\$70,568	\$90,215	\$233,292	\$178,616	\$10,438,364	\$11,416,247
Non-Pay Inflation Adjustments	2,342	0	95	672	77	1,335	931	2,079	1,666	66,893	76,090
Pay Annualization Adjustments	669	0	71	579	24	203	287	778	590	40,484	43,685
Pay Inflation Adjustments	4,129	0	380	3,623	149	1,239	1,678	4,829	3,456	232,630	252,113
Maintaining Current Levels	\$7,140	\$0	\$546	\$4,874	\$250	\$2,777	\$2,896	\$7,686	\$5,712	\$340,007	\$371,888
Technical Adjustments Due to CR	29,319	0	882	3,726	0	9,266	404	(2,043)	336	27,573	69,463
Non-Recurring Costs	(2,360)	(18,946)	0	0	0	0	0	(1,224)	0	0	(22,530)
Initiative Annualizations	7,877	0	0	0	0	740	0	0	0	0	8,617
Transfers	5,100	(5,100)	0	0	0	0	0	0	0	0	0
Productivity and Efficiency Savings	0	0	0	0	0	0	0	0	0	(119,981)	(119,981)
Adjustments to FY 2007 CR-rate	\$39,936	(\$24,046)	\$882	\$3,726	\$0	\$10,006	\$404	(\$3,267)	\$336	(\$92,408)	(\$64,431)
FY 2008 Base	\$239,247	\$0	\$18,450	\$140,553	\$40,250	\$83,351	\$93,515	\$237,711	\$184,664	\$10,685,963	\$11,723,704
Program Decreases	0	0	0	0	(13,191)	0	(441)	(12,013)	(2,793)	(6,479)	(34,917)
Program Reinvestments	0	0	0	0	0	0	441	9,493	1,000	6,479	17,413
Program Increases	10,894	18,710	0	0	1,498	2,493	0	0	0	409,536	443,131
FY 2008 President's Budget	\$250,141	\$18,710	\$18,450	\$140,553	\$28,557	\$85,844	\$93,515	\$235,191	\$182,871	\$11,095,499	\$12,149,331
Offsetting Fees	0	0	0	0	0	0	0	0	(10,000)	0	(10,000)
FY 2008 President's Budget less Offsetting Fees	\$250,141	\$18,710	\$18,450	\$140,553	\$28,557	\$85,844	\$93,515	\$235,191	\$172,871	\$11,095,499	\$12,139,331